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Contents

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International

The energy sector accounted for 18% of global M&A in the first ten months of 2023 [1], a monthly M&A spotlight report by the London Stock Exchange Group (LSEG) said last week. Within the last two months, Chevron and Exxon announced the sector's largest acquisitions of the year with USD 60 billion and USD 65 billion price tags respectively. Energy M&A this year has totalled USD 424 billion in terms of proposed deal value, with deals in the oil and gas sector reaching USD 261 billion, the highest level since 2015.

BP's share price fell by 4.5% last Tuesday [2] as the company reported financial results for the third quarter of 2023, with some commentators suggesting the relatively weak results could make the company a takeover target. Underlying replacement cost (RC) profit for the quarter was USD 3.29 billion, USD 700 million below average analyst estimates of USD 4 billion, and way below the USD 8.15 billion reported for Q3, 2022.

Shell last Thursday reported adjusted earnings of USD 6.2 billion, up from USD 5 billion in the previous quarter [3], however earnings fell year-on-year reflecting lower oil and gas prices as well as lower production levels. Running parallel, Cheniere said Q3'23 adjusted EBITDA fell by 40% year-on-year on the back of lower international gas prices which affected its LNG business. Shell's adjusted earnings of USD 6.2 billion compared with USD 9.5 billion in the same quarter last year.

The Panama Canal Authority last week announced that it will further reduce the number of shipments transiting the canal [4] due to drought and shrinking water levels. This could mean fewer US LNG cargoes will be able to move through the canal, potentially leading to higher costs and longer transit time for

deliveries to Asian markets. The authority said the recorded precipitation for October has been the lowest on record since 1950, and that so far, 2023 ranks as the second driest year for the same period.

US shale producer Chesapeake Energy and commodities trader Vitol have signed a Heads of Agreement (HoA) for the supply of up to 1 mtpa of LNG [5] to Vitol for a period of 15 years with the purchase price indexed to the Japan Korea Marker (JKM). The HoA has a targeted start date in 2028, however it has not yet been decided at which LNG facility the gas will be liquefied.

Asia Pacific

China – PetroChina led China's three NOCs in reporting earnings growth for Q3'23 [6], as Asia's biggest oil and gas producer delivered a record high quarterly net profit. Meanwhile, the company's domestic gas production expanded by 5% to 1,096 Bcf, outpacing overall oil output growth of 3% to 232 MMboe. PetroChina reported a 21% year-on-year increase in Q3 net profit to a record high of RMB 46.38 billion (USD 6.34 billion), while revenue fell by 4.6% to RMB 802 billion.

Foran Energy, a Shenzhen Stock Exchange-listed city gas distributor in southern China's Guangdong province, intends to sign a 20-year sales and purchase agreement (SPA) with Cheniere' [7]'s marketing arm with supplies to begin after 2028. If finalised, the SPA would be the latest deal for long-term supply from the US to be completed by one of China's so-called second-tier importers, underlining their continued rise as a force in the global LNG market.

Australasia

Australia – Santos is facing an eleventh-hour legal challenge from indigenous peoples [8] against its intention to begin construction work on the gas export pipeline (GEP) for its Barossa gas and condensate project in the Timor Sea. The company last Tuesday dismissed claims that it had not properly assessed risks to cultural heritage along the offshore pipeline route and insisted it would "vigorously defend Federal Court proceedings".

The company then confirmed it was suspending construction work on the gas export pipeline [9] (GEP), after the Federal Court granted an interim injunction to a traditional owner. The injunction prevents Santos from resuming work – which was hours away from starting – until 13 November, when the court will sit again to determine whether to extend the injunction until a final hearing.

North America

US – Danish energy company Ørsted has taken the decision to stop the development of the 2 GW Ocean Wind 1 and 2 projects in New Jersey [10] and has reported a DKK 28.4 billion (~USD 4 billion) impairment related to its US offshore wind portfolio, the company said last week. This comes shortly after BP and Equinor reported impairments related to offshore wind projects in the US of over USD 800 million combined.

A major sale of oil and natural gas leases for acreage in the US Gulf of Mexico has been postponed by the Bureau of Ocean Management (BOEM) [11] as legal wrangles continue over last-minute changes imposed to protect a species of whale. The American Petroleum Institute (API) said the US was facing the longest gap in sales since 1966. In a statement issued last week, the BOEM – an office in the US Department Interior responsible for offshore energy and mineral resources – said it was postponing Lease Sale 261 “in response to judicial orders”.

Canada – Canadian pipeline and utility company Enbridge said last Friday that its “strong operational performance” in the first nine months of the year is expected to be offset by higher financing costs [12], due to increased interest rates, as well as pre-funding of a planned USD 14 billion acquisition of three US gas utilities. This comes as the company reported adjusted profit of CAD 4.4 billion (USD 3.2 billion) in the first nine months of 2023, roughly on par with the same period the previous year.

UK

The UK’s North Sea Transition Authority (NSTA) last Monday announced that it has awarded 27 exploration licences in offshore areas [13] that have been prioritised for the potential to go into production more quickly than others. Shell, TotalEnergies, Equinor and Eni were among the 14 companies offered licences in what is the first batch of the UK’s 33rd licensing round.

Europe

Germany – German utility Uniper last Tuesday reported a significant improvement in year-on-year net profit [14] for the first nine months of 2023 as the company said it had not recorded any cumulative additional costs for replacing Russian gas in the period. Uniper reported net income of EUR 9.8 billion (USD 10.4 billion) for the first nine months of 2023, compared with a net loss of above -40 billion in the same period last year.

Mediterranean

Israel – Israel recently pressed ahead with awarding licences in its fourth offshore bidding round [15] (OBR4), despite the security and political upheavals caused by the ongoing conflict with militant group Hamas. Twelve licences were awarded to six companies for two of the four zones in the round. Describing the awards as “dramatic news for the Israeli energy market”, the country’s energy minister, Israel Katz, said: “Even now, major natural gas exploration companies put their trust in Israel’s robustness and want to invest here.”



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